



THE CITY OF SAN DIEGO

# Foreign Trade Zone and Subzones

## What is a Foreign Trade Zone?

A Foreign Trade Zone (FTZ) is an area that is physically located within the United States, but deemed to be outside the territory of U.S. Customs. Because of this, most foreign-made parts, components and merchandise may enter a Zone without payment of U.S. Customs duties, fees and certain taxes.

San Diego's FTZ has nine pre-designated sites of varying sizes. Pre-designation means companies do not have to apply for a designation--a process that can take up to a year for approval. Since the designation is already pre-set by the Foreign Trade Zone Board, companies can skip the designation application and simply begin the process of activation by contacting the grantee. After approval by the FTZ Board, the company can start operations. Activation usually takes about three months.

Many different kinds of companies use the FTZ, 70 percent of which are small businesses. Because FTZ companies can defer, reduce or eliminate U.S. customs duties, fees and certain taxes, a company that does not buy or receive imported products from foreign or domestic vendors will not benefit from use of the Foreign Trade Zone.

### Merchandise in a Foreign Trade Zone may be:

- Mixed
- Assembled
- Processed
- Tested
- Displayed
- Salvaged
- Stored
- Manipulated
- Repackaged
- Repaired
- Re-exported
- Relabeled

## Why locate in a Foreign Trade Zone?

Foreign Trade Zones provide importers, exporters, manufacturers and distributors with opportunities to reduce U.S. Customs duties and defer duty payments until the product leaves the Zone. A Foreign Trade Zone also offers benefits such as increased cash flow and reduced actual duty paid on imports and products warehoused, manipulated or manufactured for export.

When a component part or raw material is imported into the Zone from another country and then is subsequently exported out of the U.S. as part of a finished product, no U.S. Customs duty is due. If, however, the product is shipped domestically within the U.S., duties, fees and other taxes (if applicable) are due at the time the finished product leaves the Zone, but may be reduced.

**FOR EXAMPLE:** If a clock manufacturer located within the Zone imports leather from Germany for the watchbands, that company can export the finished watch to countries outside the U.S. without paying import duties for the watchbands, or export duties for the watches. However, if the company were to ship the watches domestically within the U.S., the company will have to pay U.S. Customs duties. As part of the Foreign Trade Zone benefits however, the company can choose to pay duty at a rate applicable either to the component parts (the watchbands), or to the finished product (which is usually lower and pertains only to the value of the foreign content).





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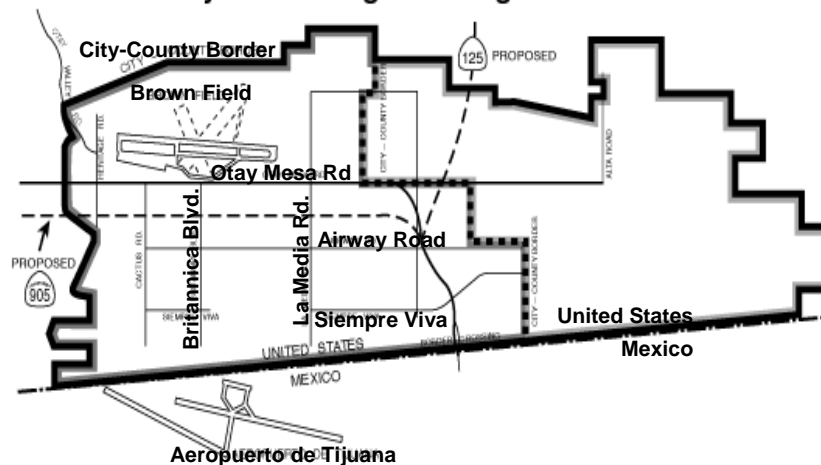
# Foreign Trade Zone and Subzones

## What is a Foreign Trade *Subzone*?

A Foreign Trade Subzone is an area approved by the Foreign Trade Zone Board for use by a specific company. Foreign Trade Subzone companies enjoy all the same benefits as Foreign Trade Zone companies--there are only two differences between the Zone and Subzones. The first difference is that Subzones are located outside of the General Purpose Zone, but have to be within 60 miles of the Port of Entry. The second difference is that a business that wants to apply for a Subzone has to go through a designation and activation approval process that can take up approximately one year.

Subzones allow companies that import or export their products to take advantage of Foreign Trade Zone benefits without having to physically relocate within the Foreign Trade Zone.

City of San Diego's Foreign Trade Zone



**For more information about the Foreign Trade Zone and Subzones, please contact:**

### **GRANTEE:**

City of San Diego  
City Planning and Community Investment Department  
1200 Third Ave, Suite 1400, MS 56D  
San Diego, CA 92101  
Contact: **Lydia Moreno**  
Tel: (619) 236-6320  
Fax: (619) 533-3219  
<http://www.sandiego.gov>

### **OPERATOR:**

Metro International Trade Services Inc.  
2655 Melksee Street  
San Diego, CA 92154  
Contact: **Carmen Sanchez**  
Tel: (619) 661-6700  
Fax: (619) 661-6711  
<http://www.metroftz.com>





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## Foreign Trade Zone No. 153 Sites

**Site 1:** 315 acres of City property at Brown Field, Otay Mesa and Heritage Roads.

**Site 2:** 73 acres at Airway Road and State Route 125.

**Site 3:** 60 acres at the Gateway Park, off Harvest Road and Custom House Plaza Road.

**Site 4:** 70 acres at Britannica Commerce Center, at Siempre Viva Road and Britannia Boulevard.

**Site 5:** 70 acres at De La Fuente Business Park, at Airway and Media roads.

**Site 6:** 160 acres at Brown Field Business Park, bounded by Otay Mesa Road, Britannia Boulevard and Airway Road.

**Site 7:** 389 acres at the business park located in the southeast portion of Otay Mesa in the Otay Mesa International Center.

**Site 8:** 119 acres at Siempre Viva Business Park. **Site 9:** 65 acres at Brown Field Technology Park.

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## Foreign Trade Zone No. 153 Subzones

**Subzone 153B:** Hewlett-Packard Company

**Subzone 153C:** DNP Electronics, Chula Vista

**Subzone 153D:** Callaway Golf Company, Carlsbad

### PENDING:

- ❖ National Steel and Shipbuilding Company (NASSCO)
- ❖ Qualcomm Inc.



